

International  
Support  
Policies  
to  
South-East  
European  
Countries

Lessons  
(Not)  
Learned  
In

## CHAPTER II

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#### THE SEE REGION AND STABILITY PACT

##### **1. The Stability Pact for SEE – Between the New Concept and Old International Practice**

1.1. The settlement of the crises in the SEE Region was established in a new, regional framework by the Stability Pact (SP). This was a late reaction to the failures in B-H and acceptance of the fact that the basic causes for B-H problems lie outside this country.

The war in Kosovo confirmed the B-H experiences and, as it seems, accelerated the establishment of the SP, although again this time it was also late. Of course, the SP relied on several previous attempts of regional initiatives in the Balkans, which, unfortunately, were only half-heartedly realized.

The regional approach to solving the crises in certain countries is based on the fact that only regional stabilization, provision of peace, co-operation and development could solve the crises in these countries. Co-operation and integration of SEE countries was seen to be an important step for them toward European integration.

1.2. The Stability Pact<sup>1</sup> aims at strengthening countries in SEE in their efforts to foster peace, democracy, respect for human rights and economic prosperity, in order to achieve stability in the whole region. To that end, the signatories of the pact pledge to cooperate towards:

- preventing and putting an end to tensions and crises;
- bringing about true democratic political processes, based on free and fair elections, rule of law, and full respect for human rights and fundamental freedoms;
- creating peaceful, good-neighbor relations in the region through confidence-building and reconciliation mechanisms;
- preserving the multinational and multiethnic diversity of countries in the region, and protecting minorities;
- creating forward-looking market economies based on sound macro policies, markets open to greatly expanded foreign trade and private-sector investment, effective and transparent customs and commercial/regulatory regimes;
- fostering economic cooperation in the region and between the region and the rest of Europe and the world, including free-trade areas;
- promoting unimpeded contact among citizens;
- combating organized crime, corruption and terrorism and all criminal and illegal activities;
- preventing forced population displacement caused by war, persecution and civil strife as well as migration generated by poverty;
- ensuring the safe and free return of all refugees and displaced persons to their homes;

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<sup>1</sup> The Stability Pact for SEE was signed in Koln (Cologne) on 10 June 1999, in response to the EU's call to adopt a comprehensive platform for stability and development in the region. The pact has been signed by the Member States of the European Union, the governments of the region (Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Hungary, Romania, the Russian Federation, Slovenia, the former Yugoslav Republic of Macedonia, Turkey), the United States of America, Canada and Japan. Several organizations have also endorsed the Pact (i.e. the United Nations, OSCE, Council of Europe, the European Commission, NATO, OECD, WEU, IMF, the World Bank, the European Investment Bank and the European Bank for Reconstruction and Development).

- creating the conditions, for countries of SEE, for full integration into political, economic and security structures of their choice.

The implementation of the SP is to be ensured by Regional Working Tables for South-East Europe. It is the task of the Regional Table to review the progress under the SP, move it forward and develop guidelines for advancing its objectives. A Special Coordinator has been appointed by the European Union, and endorsed by the OSCE. The Special Coordinator chairs the Regional Table and is responsible for promoting the achievement of the Pact's objective within and between the individual countries. The Regional Table should ensure coordination of the activities of and among the three Working Tables focusing on: 1) democratization and human rights; 2) economic reconstruction; 3) security issues.<sup>2</sup>

1.3. For B-H, the Stability Pact represented a possible, conceptually new, framework for solving internal problems - a possible stimulus for the normalization of the situation in the country. The fact is that the democratization of neighboring countries, Croatia and the FRY, prevents external pressures and dangers which derive from policies aimed at the partitioning of B-H and the crises within the country. Democratic changes in Croatia, although occurring independently of the SP, are an indication of this. Political changes in the FRY, following the elections of 24 September 2000, may significantly alter political conditions for the implementation of the SP. In the event of further, positive developments of the situation in FRY and Serbia and a new, improved, political environment in Southeastern Europe, the SP itself will face the real challenges, needs and, now also, possibilities for implementing its original ideas. In other words, the "alibi" for inefficiency and lack of the will to develop policies of regional co-operation and integration disappear together with the Regime of Milosevic.

1.3.1. Apart from all the other problems, the B-H economy is completely divided into the economies of the FB-H and the RS. Attempts at its integration through the arbiter role of OHR in the implementation of the GFAP are inefficient and segmented. The division in economic management (different laws and economic policies) are the result of the real situation, divided markets and economic systems.

The B-H economy is highly export-oriented. The structure of this economy was created in ex-Yugoslavia and was based on trade with (at the time) other parts of the country, while export to foreign markets was also great. Therefore, B-H is extremely interested in economic integration of the region and free trade through various arrangements. Regional integration of the B-H economy would have, as its consequence, the reconstruction of a unified B-H market, i.e. domestic economic integration. This would establish a new realistic basis for the full implementation of the DPA, not only in the sphere of "harmonizing" economic, tax or customs policies between the two Entities but also for establishing a true, unified economic policy and economic system.

1.3.2. Contrary to expectations, the possibilities that the SP offered in solving the B-H problem have remained completely unused:

- a) The B-H authorities have had, and still have, an ambivalent approach towards the SP. They see it, negatively, as a potential and additional possibility of jeopardizing the country's sovereignty, and, positively, as a possible new source of donations, in compensation for the decrease of donations directed to B-H. In both cases, B-H remains completely outside the original aim of the SP, regional integration and development policies it would enable.

Along with this, there is a certain degree of passivity regarding the SP. Cynically, the spectacle of the SP Summit, held in Sarajevo in July 1999, had the same role as the

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<sup>2</sup> See: UNDP Special Report, *Human Security in South-East Europe*, UNDP, 1999.

Olympic games in 1984. They took place, they passed and they witness to the "importance" of B-H.

- b) The implementation of the GFAP is taking place completely independently of the SP, as if the latter does not exist. It seems that the basic idea of the SP was not understood and that the implementation of the GFAP is to be closed within the frameworks and problems of B-H without a real possibility for finding efficient solutions. This misunderstanding of its own ideas by the international community, which is in both cases (GFAP and SP) the creator and initiator, is surprising.

Therefore, there is an attempt to resolve the problems of GFAP implementation through suggestions for discussions on "Dayton 2" within a broad scope of ideas from the withdrawal of the international community and rewriting of the GFAP to the establishment of a Protectorate. Metaphorically speaking, the Stability Pact could be Dayton 2, i.e., a possibility for solving the B-H problem through regional co-operation and integration, as well as through the perspective of participation in European integrations.

- c) Within B-H, the Stability Pact is not achieving the necessary link of two basic flows of assistance and support: the normalization and strengthening of democratic institutions through implementation of the civil aspect of GFAP, as well as assistance and support to economic reconstruction, transition and solving of the social problems of B-H, which take place through a sequence of separate programs, of which the World Bank's Priority Reconstruction and Recovery Program (PRP WB) is the most important.

Instead, the programs of economic reconstruction remain dogmatically "locked" in the conditions they were in when the Stability Pact did not exist, and they stay without any link to Stability Pact activities.

1.4. The basic problem, however, is related to the Stability Pact and its one-year experience. The SP itself is at a crossroads between being a new international framework that will stimulate and enable real regional integration or being only one more channel for the inefficient distribution of donations to SEE countries.

For now, the SP is still just a mechanism of distribution of donations through projects in SEE countries. In other words, it is repeating the mistake made in B-H years ago. Its most important role has been neglected, to be an instrument for designing and implementing a coherent and long-term oriented strategy for regional reconstruction and development, regional co-operation and integration, etc. The Stability Pact has no vision for, nor strategy of, support for the SEE countries.

It is important to remember that the original aim of the Stability Pact was to foster SEE cooperation and integration as a precondition for joining the EU, while financial support to projects of SEE countries (donations) was to provide support for new strategies. The Scope of these new policies, in the economy, for example, was aimed at the following: developing a free trade zone within the region; zero tariffs on EU imports from the regions; zero tariffs on the region's import from the EU; support to trade with agricultural products; free trade with the EU, EFTA, CEFTA and all accession candidates to the EU; radical banking reforms, EURO-DM currency board; European monetary association agreement and, later on, full Euro-ization, etc.<sup>3</sup>

The activities of the Stability Pact and its working tables so far have neglected strategies or policies and have instead amounted to nothing more than the distribution of financial support to projects of the countries and various organizations from SEE. These

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<sup>3</sup> See: CEPS, *A System for Post-war South-East Europe*, Working Document No. 131, Brussels, 3 May 1999.

projects are mostly the standard projects for solving problems of certain countries. It is easy to fulfill the requested condition that the projects should be the projects of two or more countries of the Region, because the link of solving problems is a geographic fact (for example, with regard to infrastructure). Therefore, these projects are not leading towards new strategies of regional integration, but, in the best case, are simply adjusted to the region's geography.

The problems facing B-H regarding the lack of utilisation of the possibilities that the Stability Pact has to offer are in great measure the consequence of wrong implementation of the SP itself in the entire region.

1.5. In the context of the analysis of regional problems and the Stability Pact, it is important to warn that the same policies and same mistakes that took place in B-H are being repeated in Kosovo.

After two years of experience, the UNMIK system is demonstrating obvious impotence in solving important problems that led to the international intervention, including the NATO air strike. At the same time, all of the UNMIK and OSCE activities are being carried out independently of Stability Pact activities and thus, attempts to solve the crisis are once again being carried out in isolation, with the greatest chances of failure. Within these efforts, the following mistakes of the international policies in B-H are being repeated:<sup>4</sup>

1.5.1. The fact that the local population is capable of being the most powerful force for change in Kosovo, in particular the developed local NGO sector, has been neglected.

1.5.2. Resources allocated for the key aims of international intervention are inadequate. If democratization and human rights are understood to be at the center of justification for the war (whose expenses are estimated at being 22.5 billion USD),<sup>5</sup> it is difficult to comprehend that the budget of the OSCE Democratization Program only amounts to 3 million USD.

1.5.3. Words are not being matched with actions carried out by the donor States.

1.5.4. The difference between true development ("growing") of a democracy from the grass roots level and organizing a show-piece election is not being taken into consideration. The alibi for the modest failure of democratization is being sought in the semblance of democracy in elections.

1.5.5. Standards of international policies are erratic.

This has, once again, brought us closer to the basic problem of the inharmonious functioning of international organizations in relation to the new conditions in the world, the inefficiency of their approach and policies for solving crises.

1.6. The dramatic development and aggravation of the crisis in Macedonia, together with the multiplication of diplomatic "initiatives", are threateningly reminiscent of the beginnings of the war in B-H. No "diplomatic lesson" has been learned, and a resolute intervention of international factors and recognition of the true causes of the crisis are lacking.

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<sup>4</sup> See: Lesley Abdela: *Kosovo – Missed Opportunities, Lessons for the Future*, [global@shevolution.com](mailto:global@shevolution.com), February 2000.

<sup>5</sup> GAO published the data that the US military costs in Kosovo in 1999 (including Operation Joint Forge and Operation Deliberate Forge) only amounted to 3 billion USD, and for 2000, around 2 billion USD are planned. It seems that the cost assessment of the war in Kosovo remains open to question.

## 2. Towards the “Rebirth” of the Stability Pact – Development of New Regional Cooperation Policies

2.1. The Stability Pact vision had three basic elements: European integration, regional security and the expanding of democracy. In essence, the reasons for its existence are present today. To recapture its vision, the Stability Pact needs to be refocused.<sup>6</sup>

2.2. It seems, however, that the true problem of inefficiency is not just in the absence of efficient instruments of its own organization, too broad a list of aims and activities or, generally, the very important problem of passivity and weak State institutions in the Region. Perhaps the problem lies in the different views of the Stability Pact. Let us simplify these differences to a “defensive” or “offensive” understanding of the role of the SP.

The “defensive” role implies that the aim and role of the SP is to stabilize and pacify SEE. In order to do so, it is necessary to support regional cooperation, integration with Europe, regional security and the spreading of democracy. Within the framework of this approach, the political aspect of the SP is crucial.

The “offensive” role implies all of the above, but with a completely different sequence of priorities and a different approach. Regional cooperation and economic integration are a precondition for economic development, integration with Europe, regional security and the development of democracy. Strengthening State institutions as transparent “public service providers” is of great significance for this. Political stability will come as a result of the above mentioned.

Both approaches are legitimate, while the first has dominated from the outset to this day. It seems as though this is the basic reason for the inefficiency of the SP.

2.3. Reasons for the further existence of the Stability Pact do not, primarily, lie in the fact that, following its establishment, SEE remains a crisis area (Kosovo, Macedonia). New post-Stability Pact crises in SEE demonstrate that nothing has changed significantly with the establishment of the SP. Changes did not take place due to the “defensive” approach, nor did they take place in those areas where this approach most was insisted upon and from which most was expected, in the field of regional security.

The reasons for the future existence of the Stability Pact only exist if its approach is altered, not because problems still exist, but because they can only be solved using a new “offensive” approach.

Above all, this should be achieved through economic cooperation and integration of SEE, and the development of democratic State and civil society institutions. International support policies to SEE, both within and outside the SP, have to support integration and cooperation within SEE, as a condition for integration into Europe.

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<sup>6</sup> For more details see: East West Institute/European Stability Initiative, *Democracy Security and the Future of the Stability Pact for South Eastern Europe – A Political Framework*, 4 April 2001.

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